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## **MS GROUP HOLDINGS LIMITED**

**萬成集團股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1451)**

### **DISCLOSEABLE TRANSACTION ACQUISITION AND SUBSCRIPTION OF AN AGGREGATE OF 40% INTEREST IN THE TARGET COMPANY**

#### **THE ACQUISITION AND THE SUBSCRIPTION**

The Board is pleased to announce that on 19 January 2021 (after trading hours), the Purchaser entered into the Membership Interest Purchase Agreement with the Target Company, the Sellers and two individuals. Pursuant to the Membership Interest Purchase Agreement, the Purchaser agreed to (i) acquire the Sale Membership Interest from the Sellers; and (ii) subscribe for the New Membership Interest from the Target Company at the Consideration.

The Target Group is principally engaged in the manufacturing and sale of custom-designed plastic products using injection molding machines for consumer goods, automotive and healthcare industries.

Upon Closing, the Group will be interested in 40% of the enlarged Membership Interest of the Target Company, and the Target Company will be treated as an associated company of the Company and the financial results of the Target Company will be equity accounted for as interests in associates in the Group's consolidated financial statements.

#### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition and the Subscription calculated on an aggregated basis is more than 5% but all applicable percentage ratios are less than 25%, the Acquisition and the Subscription constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

## THE ACQUISITION AND THE SUBSCRIPTION

The Board is pleased to announce that on 19 January 2021 (after trading hours), the Purchaser entered into the Membership Interest Purchase Agreement with the Target Company, the Sellers and two individuals. Pursuant to the Membership Interest Purchase Agreement, the Purchaser agreed to (i) acquire the Sale Membership Interest from the Sellers; and (ii) subscribe for the New Membership Interest from the Target Company at the Consideration. The principal terms of the Membership Interest Purchase Agreement are set out below.

Date: 19 January 2021

Parties:

- (1) MS LLC, a wholly-owned subsidiary of the Company, as the Purchaser
- (2) BRH2 Plastics, LLC as the Target Company
- (3) REF Plastics, LLC as a Seller
- (4) Placencia Consulting LLC as a Seller
- (5) Mr. Ryan Fernandez as a majority shareholder of REF Plastics, LLC
- (6) Mr. Hector Placencia as the sole shareholder of Placencia Consulting LLC

Share acquisition: REF Plastics, LLC shall transfer 18.50% of the aggregate issued and outstanding Membership Interests as enlarged by the Subscription (equivalent to approximately 20.35% of the aggregate issued and outstanding Membership Interests immediately before the Subscription) to the Purchaser upon Closing.

Placencia Consulting LLC shall transfer 11.50% of the aggregate issued and outstanding Membership Interests as enlarged by the Subscription (equivalent to approximately 12.65% of the aggregate issued and outstanding Membership Interests immediately before the Subscription) to the Purchaser upon Closing.

The Sale Membership Interest shall be transferred to the Purchaser at Closing free from all encumbrances and together with all rights then or thereafter attaching thereto on or after the Closing Date.

Share subscription: The Target Company shall issue and allot the New Membership Interest to MS LLC, representing 10.00% of the aggregate issued and outstanding Membership Interests as enlarged by the Subscription upon Closing.

The New Membership Interest shall be allotted and issued to the Purchaser at Closing free from all encumbrances and together with all rights then or thereafter attaching thereto on or after the Closing Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Sellers, the Target Company and their respective ultimate beneficial owners (where applicable), Mr. Ryan Fernandez and Mr. Hector Placencia are third parties independent of and not connected with the Company and its connected persons and their respective associates.

In general and with certain exceptions, no member of the Target Company may transfer any portion of its Membership Interest in the Target Company without the prior written consent of the other members of the Target Company.

### **Consideration**

The aggregate consideration for the Acquisition and the Subscription shall be US\$3,000,000 (equivalent to HK\$23,250,000) payable in cash, of which:

- (a) US\$1,387,500 (equivalent to HK\$10,753,125) shall be payable to REF Plastics, LLC for the Acquisition, amongst which (i) US\$1,212,500 (equivalent to HK\$9,396,875) shall be paid on the Closing Date; (ii) US\$105,000 (equivalent to HK\$813,750) shall be payable on the date upon which MS LLC determines that certain post-Closing obligations have been completed by the Sellers; and (iii) the remaining US\$70,000 (equivalent to HK\$542,500) shall be payable on the date upon which MS LLC determines that the remaining post-Closing obligations have been completed by the Sellers;
- (b) US\$862,500 (equivalent to HK\$6,684,375) shall be payable to Placencia Consulting LLC for the Acquisition, amongst which (i) US\$787,500 (equivalent to HK\$6,103,125) shall be paid on the Closing Date; (ii) US\$45,000 (equivalent to HK\$348,750) shall be payable on the date upon which MS LLC determines that certain post-Closing obligations have been completed by the Sellers; and (iii) the remaining US\$30,000 (equivalent to HK\$232,500) shall be payable on the date upon which MS LLC determines that the remaining post-Closing obligations have been completed by the Sellers; and

(c) US\$750,000 (equivalent to HK\$5,812,500) shall be payable to the Target Company for the Subscription on the Closing Date.

The Purchaser will settle the Consideration with the internal resources of the Group.

### **Basis of Consideration**

The Consideration was agreed among the Purchaser, the Sellers and the Target Company after arm's length negotiations and taking into account the historical performance and net asset value of the Target Group, the prospect of the Target Group and the synergies from the investment as set out in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE SUBSCRIPTION" below.

### **Conditions precedent**

Pursuant to the Membership Interest Purchase Agreement, the closing of the Acquisition and the Subscription shall take place simultaneously and conditional upon fulfilment (or waiver, as applicable) of the conditions precedent including:

- (1) representations and warranties given by the parties under the Membership Interest Purchase Agreement remain true and not misleading as of the Closing Date;
- (2) the parties to the Membership Interest Purchase Agreement have given all such notices and obtained all third-party consents and approvals that are necessary for the consummation of the transactions contemplated in the Membership Interest Purchase Agreement;
- (3) there are no threatened or pending suit, action or other proceeding which would prevent the performance or would lead to the rescission of the Membership Interest Purchase Agreement; and
- (4) all the transactions contemplated under the Membership Interest Purchase Agreement or any ancillary agreements contemplated thereunder being in full compliance with the Listing Rules and other laws and regulations applicable to the Purchaser and the Company.

The Purchaser and the Sellers may from time to time waive any of the above conditions precedent in writing (except for condition (4) which is not capable of being waived by any party).

### **Closing**

Closing shall take place on the Closing Date.

Upon Closing, the Group will be interested in 40% of the enlarged Membership Interest of the Target Company, and the Target Company will be treated as an associated company of the Company and the financial results of the Target Company will be equity accounted for as interests in associates in the Group's consolidated financial statements.

## **INFORMATION OF THE SELLERS AND THEIR SHAREHOLDERS**

REF Plastics, LLC is a company incorporated in Wyoming, the U.S. with limited liability. It is held by (i) Mr. Ryan Fernandez (being its majority shareholder); (ii) other companies incorporated in the U.S. and Canada (which are owned by individuals who are U.S. or Canadian nationals) and (iii) other individuals. It is principally engaged in investment holding. Before Closing, REF Plastics, LLC holds 68.00% Membership Interests in the Target Company and immediately after Closing, it shall hold approximately 42.714% of the enlarged Membership Interests in the Target Company.

Placencia Consulting LLC is a company incorporated in Arizona, the U.S. with limited liability. It is wholly-owned by Mr. Hector Placencia. It is principally engaged in investment holding. Before Closing, Placencia Consulting LLC holds 32.00% Membership Interests in the Target Company and immediately after Closing, it shall hold approximately 17.286% of the enlarged Membership Interests in the Target Company.

Mr. Ryan Fernandez is a U.S. citizen. He is the founder and chief executive officer of the Target Company and BRH2 Mexico.

Mr. Hector Placencia is a U.S. citizen. He is the managing director of the Target Company and BRH2 Mexico.

## **INFORMATION OF THE PURCHASER AND THE GROUP**

The Purchaser is a wholly-owned subsidiary of the Company. It is a special purpose vehicle incorporated by the Company in Delaware, the U.S. and designated by the Company to hold the New Membership Interest and the Sale Membership Interest.

The Group is engaged in (i) original equipment manufacturer (OEM) business, being the production and sales of plastic bottles and cups for infants and toddlers and plastic sports bottles on an original equipment manufacturing basis, predominately targeting the overseas markets; and (ii) the YoYo Monkey business, being the production and sales of infant and toddler products under the YoYo Monkey (優優馬騮) brand primarily in the PRC market. The Group operates its production base situated in Guangdong Province, the PRC.

## INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company and has two Subsidiaries as of the date of this announcement, namely BRH2 Holding and BRH2 Mexico. The Target Company holds 100% interests in BRH2 Holding and 99.90% interest in BRH2 Mexico. BRH2 Holding is an investment holding company with no operations and holds 0.1% interest in BRH2 Mexico. The Target Group, through BRH2 Mexico, is principally engaged in the manufacturing and sale of custom-designed plastic products using injection molding machines for consumer goods, automotive and healthcare industries.

The table below sets out the consolidated financial information of the Target Company for each of the years ended 31 December 2018 and 2019 and the seven months ended 31 July 2020 compiled in accordance with generally accepted accounting principles of the U.S..

	<b>For the year ended</b>		<b>For the seven</b>
	<b>31 December</b>	<b>31 December</b>	<b>months ended</b>
	<b>2018</b>	<b>2019</b>	<b>31 July</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	4,694	4,472	2,932
Profit/(Loss) before taxation	(319)	(378)	150
Profit/(Loss) after taxation	(319)	(378)	150

The unaudited consolidated total asset value and net asset value of the Target Company as at 31 July 2020 were approximately US\$2,547,000 and US\$1,245,000, respectively.

## REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE SUBSCRIPTION

As disclosed in the interim report of the Company for the six months ended 30 June 2020, the Group has been proactively identifying acquisition targets on a global basis that have attractive valuation and are able to bring production synergies to the Group.

The Target Group has established production lines and business networks in North America for a variety of plastic consumer products. On the other hand, the Group possesses extensive expertise in plastics injection molding in the area of plastic products and the customers of the Group are mainly located in the U.S.. The Board believes that the Acquisition and the Subscription are mutually beneficial to the Group and the Target Group through the sharing of production techniques in the plastic products manufacturing industry, such as the injection molding for certain plastic products. Further, the Board believes that such investment can bring commercial

synergies to the existing principal businesses of the Group in terms of, among other things, client base because the Target Group has already established business connections with certain plastic product customers in the U.S., which the Group may leverage on and expand the existing client base of the Group. In view of the aforesaid, in the medium to long run, the potentials of both the Group and the Target Group can be further unlocked and the industry competitive position of both the Group and the Target Group is expected to be strengthened.

During the ongoing China-U.S. trade tensions, certain customers in the industry are adopting business strategy to avoid relying solely on a single market of China and diversify into other countries, which is commonly known as the “China + 1” strategy in order to reduce the risk of heavy duty or tariff on products from China imposed by the U.S.. Although COVID-19 and the China-U.S. trade tensions have cast uncertainties on the current global market, the Board believes that the investment in the Target Group is a strategic move that is beneficial to the Group in the long run.

In light of the above, the Directors believe that the terms of the Membership Interest Purchase Agreement (including the Acquisition, the Subscription and the Consideration) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **COMPOSITION OF THE BOARD OF THE TARGET COMPANY**

After Closing, the board of directors of the Target Company will comprise of 5 directors. The Purchaser will be entitled to appoint two directors to the Target Company. Each of Placencia Consulting LLC and REF Plastics, LLC will be entitled to appoint one director to the Target Company. The four directors of the Target Company will then jointly elect one independent director.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition and the Subscription calculated on an aggregated basis is more than 5% but all applicable percentage ratios are less than 25%, the Acquisition and the Subscription constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

**As Closing is conditional upon fulfilment (or, if applicable, waiver) of the conditions precedent set out in the Membership Interest Purchase Agreement, the Acquisition and the Subscription may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

“Acquisition”	the acquisition of the Sale Membership Interest by the Purchaser from the Sellers pursuant to the Membership Interest Purchase Agreement
“Board”	the board of directors of the Company
“BRH2 Holding”	BRH2 Mexico Holding, LLC, an Arizona limited liability company and a Subsidiary of the Target Company
“BRH2 Mexico”	BRH2 Plásticos, S. de R.L. de C.V., a company organized in Mexico with limited liability and a Subsidiary of the Target Company
“Business Day”	any day on which banks are not required or authorized to close in Chicago, the U.S.
“Closing”	closing of the Acquisition and the Subscription pursuant to the Membership Interest Purchase Agreement
“Closing Date”	the date on which Closing takes place, which shall be within five Business Days after the date of the Membership Interest Purchase Agreement or on such other date as agreed in writing by MS LLC, the Target Company and the Sellers
“Company”	MS Group Holdings Limited (萬成集團股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 1451)
“Consideration”	the aggregate consideration of US\$3,000,000 for the Acquisition and the Subscription
“Directors”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Membership Interest(s)”	an interest in the Target Company owned by its members, including such member’s right to its distributive share of net income, net losses and assets, and to vote on or otherwise participate in any decision of the members in relation to the Target Company, and to any and all other benefits to which such member may be entitled as provided in the Target Company’s member agreement or the Delaware Limited Liability Company Act of the U.S.
“Membership Interest Purchase Agreement”	the Membership Interest Purchase Agreement dated 19 January 2021 entered into among the Purchaser, the Target Company, the Sellers, Mr. Ryan Fernandez and Mr. Hector Placencia
“New Membership Interest”	10% of the Membership Interest of the Target Company as enlarged by the Subscription (equivalent to approximately 11.11% of the Membership Interest of the Target Company before the Subscription)
“PRC”	the People’s Republic of China
“Purchaser” or “MS LLC”	MS LLC, a company incorporated in Delaware, the U.S. with limited liability and a wholly-owned subsidiary of the Company
“Sale Membership Interest”	30% of the Membership Interest of the Target Company as enlarged by the Subscription (equivalent to approximately 33% of the Membership Interest immediately before the Subscription)
“Sellers”	collectively, Placencia Consulting LLC and REF Plastics, LLC, and each a “Seller”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the New Membership Interest by the Purchaser pursuant to the Membership Interest Purchase Agreement

“Subsidiaries” each and all such corporations, partnerships, limited partnerships, limited liability companies, limited liability partnerships or other entities of which or in which any person (other than a natural person) owns directly or indirectly fifty percent (50.00%) or more of (A) the combined voting power of all capital securities having general voting power under ordinary circumstances to elect a majority of the board of directors of such entity if a corporation, (B) the management authority and capital interest or profits interest of such entity, if a partnership, limited partnership, limited liability company, limited liability partnership, joint venture or similar entity or (C) the beneficial interest of such entity, if a trust, association or other unincorporated organization, as governed by and construed in accordance with the internal laws of the State of Illinois, the U.S.

“Target Company” BRH2 Plastics, LLC, a company incorporated in Arizona, the U.S. with limited liability on 25 June 2014 and converted to a Delaware limited liability company on 14 January 2021

“Target Group” collectively the Target Company and its Subsidiaries from time to time. As at the date of this announcement, the “Target Group” comprises the Target Company, BRH2 Holding and BRH2 Mexico

“U.S.” the United States of America

“US\$” US Dollars, the lawful currency of the U.S.

Exchange rate is presumed to be HK\$7.75 = US\$1 for the purpose of this announcement.

By order of the Board  
**MS Group Holdings Limited**  
**Chau Ching**  
*Chairman*

Hong Kong, 19 January 2021

*As at the date of this announcement, the executive directors of the Company are Mr. Chau Ching, Mr. Chung Kwok Keung Peter, Mr. Chung Leonard Shing Chun and Mr. Chau Wai; and the independent non-executive directors of the Company are Mr. Asvaintra Bhanusak, Mr. Seto John Gin Chung and Mr. Yu Hon To David.*